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Half Year Report 2011

Our business

Cape plc, the international provider of essential, non-mechanical support services to the energy and mineral resources sectors

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2011 Financial highlights

- Solid operational performance
 - continued strong execution and margin capture
- Adjusted Profit Before Tax of £34.0 million (2010: £35.5 million)
- Adjusted diluted earnings per share of 20.9p (2010: 21.0p)
- Interim dividend of 4.5p per share (2010: 4.0p)
- Admission to London Stock Exchange Main Market in June 2011
- Anticipated entry to the FTSE 250 index in September
- Firm order book at 30 June consistent with prior year levels
- Over 91% of consensus Full Year 2011 revenues secured (2010: 90%)
- Investment underway to facilitate growth in H2 and beyond
- Momentum building on a number of key areas/projects, as expected, indicating we are entering a sustained period of demand growth for Cape's services
- Strong performances in Far East/Pacific Rim and CIS/Mediterranean and North Africa regions offsetting anticipated lower activity levels in Gulf/Middle East region

Revenue by region



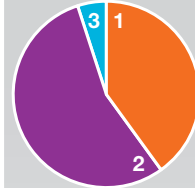
1. UK: £136.2m
2. Gulf/Middle East: £66.1m
3. CIS, Mediterranean & North Africa: £28.3m
4. Far East/Pacific Rim: £104.4m

Adjusted operating profit by region



1. UK: £12.8m
2. Gulf/Middle East: £16.1m
3. CIS, Mediterranean & North Africa: £4.3m*
4. Far East/Pacific Rim: £9.1m

Revenue mix



1. Construction: 40%
2. Maintenance: 55%
3. Other: 5%

* Includes Joint Venture profit/(loss)

Chairman's statement

It gives me great pleasure to present my first interim report as Chairman of Cape.

During the period I have spent time touring the Group's operations and meeting our staff and customers. I have been impressed with the skill and professionalism of our people and the high regard that our customers have for Cape.

Cape is a world class provider of insulation and access services in the energy sector recognised for its scale and expertise. We have the necessary depth of management and material resources to provide support services to the world's largest and most complex construction projects for major EPC contractors. We also provide comprehensive plant maintenance support services directly to the world's largest energy companies both onshore and offshore. As expected, the first half's trading results have, in overall terms, been comparable to last year with revenues of £335.0 million (2010: £331.3 million) and profit before other items of £27.1 million (2010: £27.3 million). Adjusted diluted earnings per share were 20.9p (2010: 21.0p). These results continue to show the benefit of Cape's broad international footprint with certain territories showing strong growth whilst others experienced the anticipated reduced activity levels. Whilst the socio-political unrest in the Middle East earlier this year generated uncertainty, Cape has limited exposure in the countries directly affected by the unrest.

The move from AIM to the Official List of the London Stock Exchange was completed in June 2011. The move is a further sign of the Group's development and reflects its size, maturity and aspirations. The higher profile and greater liquidity resulting from listing and the anticipated inclusion

in the FTSE 250 index in September, will benefit the Group's Stakeholders over the coming years.

David McManus, who was originally appointed as a Non-Executive Director of Cape in 2004, and also served as Chairman from July 2006 to June 2008, has advised the Board of his intention to resign from the Board to focus on other interests.

Mr McManus has agreed to stand for re-election at the forthcoming Annual General Meeting and will step down once the Board is able to appoint a further Independent Non-Executive Director to replace him. The Board is grateful to Mr McManus for his service to Cape during a period of significant growth for the Group and wishes him well in his future projects.

The Board has declared an Interim Dividend of 4.5p per share (2010: 4.0p). The Interim Dividend will be paid on 7 October 2011 to shareholders on the Register at 9 September 2011.

With Cape's downstream and late cycle positioning, we can now be considered to be at the bottom of its construction support services cycle. The timing of work releases on secured contracts will now dictate the growth rate in the second half of 2011 and beyond. We are on track to deliver full year results in line with the Board's expectations.

Cape has a unique combination of capabilities and competence and an outstanding safety performance. We are therefore ideally positioned to benefit from the upturn in demand for the construction support services which is driven by the forecast increase in capital spending in our sector and the global demand for energy.



Tim Eggar
Chairman
31 August 2011

Throughout this document various non-statutory measures are used and referred to as adjusted. These are defined and reconciled to their statutory equivalent in Note 5.

Chief Executive's review

We have made a solid start to the year with an operating performance reflecting our continued superior execution and margin capture. Revenues were in line with our plan and consistent with the first half of last year at £335.0 million (2010: £331.3 million) whilst the adjusted profit before tax was £34.0 million (2010: £35.5 million).

We successfully achieved one of our corporate objectives of a return to the Main Market of the London Stock Exchange in the second quarter and believe this will be of benefit to shareholders making Cape more attractive to international investors and providing greater liquidity. The costs incurred in achieving the step up have been excluded from adjusted profits and earnings.

Cape's expertise is focused on the delivery of its core range of non-mechanical services in the support of essential maintenance programmes for plant operators and large complex construction projects for major E&C contractors. Some 55%

(2010: 54%) of Group revenues in the first half were derived from maintenance support services with 40% (2010: 40%) generated from construction support services.

We provided maintenance and shutdown support services on 244 industrial assets onshore and offshore in the first half of 2011. Major maintenance support clients in the period included BP, Shell, ExxonMobil, EDF, Aramco, Qatargas, SABIC and Alcoa. Major client wins in the first half included E.ON in the UK.

Cape delivered construction support services on 64 major construction projects in H1. Our international reputation for the highest safety standards combined with our ability to deliver major projects in challenging and often remote environments continues to set Cape apart from the competition. Major clients for our Construction Support Services in the period included Foster Wheeler, Wood Group, Shaw Stone & Webster, Amec, CB&I and JGC.

Regional performance review

The Group reviews its financial results from a geographic perspective under four reporting regions.

Region	Revenue (£m)		Growth %		Adjusted EBITA (£m)		Growth %	
	2011	2010	AER	CER	2011	2010	AER	CER
UK	136.2	138.9	(1.9)%	(1.9)%	12.8	13.8	(7.2)%	(7.2)%
Gulf/Middle East	66.1	80.1	(17.5)%	(13.5)%	16.1	19.8	(18.7)%	(14.6)%
Far East/Pacific Rim	104.4	90.4	15.5%	5.6%	9.1	7.0	30.0%	24.3%
CIS, Med & North Africa	28.3	21.9	29.2%	38.8%	4.6	3.3	39.4%	42.4%
Total before central costs	335.0	331.3	1.1%	–	42.6	43.9	(3.0)%	(1.8)%
Central costs					(4.1)	(3.8)	7.9%	7.9%
Adjusted operating profit					38.5	40.1	(4.0)%	(2.7)%
Loss from joint venture					(0.3)	–	–	–
Total	335.0	331.3	1.1%	–	38.2	40.1	(4.7)%	(3.5)%

UK strategic wins

Significant contract awards in the UK in H1 included:

- E.ON – Ratcliffe Power Station
- National Grid – Southern Region – term contract
- BP Andrew Area development project – Fabric maintenance – 2 year term contract
- BAE Systems – Portsmouth Naval base – term contract
- Perenco seasonal upgrade
- PX Fellside Power Station – term contract

The UK Region contributed 41% of Group revenue and 30% of Group adjusted EBITA. Adjusted EBITA decreased by 7% to £12.8 million (2010: £13.8 million). The reduction in EBITA was driven by a 2% fall in revenue to £136.2 million (2010: £138.9 million) combined with a 0.5% reduction in operating margin to 9.4% (2010: 9.9%).

The UK Region's business continues to be maintenance-focused with 95% of revenues derived from plant maintenance and shutdown activities (2010: 93% of revenues).

Onshore revenues increased by 3% to £80.5 million (2010: £78.1 million) with stronger sales output in the power generation segment following the recently awarded contracts with E.ON UK at Ratcliffe-on-Soar. Work continued on the capital upgrade and corrosion inspection program for SABIC UK at its Wilton Teesside petrochemicals facility and with ConocoPhillips with its Humber Oil Refinery vessel refurbishment project.

Offshore revenues reduced by 9% to £43.1 million (2010: £47.2 million) due to aggressive competition in the UKCS bidding arena. First half highlights have been the commencement of work on four new BP assets (awarded last year as part of the BP UKCS Federal contract), on the Total E&P contract in the Dutch sector and on a number of unmanned rigs for BHP in Liverpool Bay.

The Environmental Services unit (Cape DBI) delivered first half revenues of £12.6 million (2010: £13.6 million). The strong demand for our high margin bespoke Offshore specialist cleaning techniques continued throughout the first half. In February, Shell awarded a three year call off contract for offshore platform separator cleaning in both the UK and Dutch sectors.

Gulf/Middle East strategic wins

Significant construction support contract awards in the first six months include packages at:

- the GASCO 4th NGL Train in UAE with Sungchang Engineering & Construction and CB&I
- Habshan 5 with Kharafi National
- the Jubail Export Refinery Project (SATORP) with various contractors; and
- QAPCO LDPE expansion project with Tekfen

The Gulf/Middle East region contributed 20% of Group revenue and 38% of Group adjusted EBITA, with operating margins remaining constant on lower revenues.

As anticipated, revenues in the region reduced by 17.5% (CER: -13.5%) to £66.1 million (2010: £80.1 million) as construction support activities on major projects, particularly in Qatar, completed including works on the desalination plant at RLIC, QII Common Sulphur project, Olefins plant at RLIC, Dopet Refinery project, Qatargas III & IV projects and Q-Chem II.

Some £42.8 million or 65% of revenues related to construction support activities down from £58.5 million in the first half of 2010. We were active on 42 (2010: 36) major projects in the period including insulation works on the National Chevron Phillips NCP project in Saudi Arabia with JGC and the PDO facility in Mukhaizna in the South of Oman.

Maintenance and shutdown revenues in the region remained at similar levels to 2010 at £23.3 million (2010: £21.6 million). Lower shutdown activity in Qatar was offset by the largest ever shutdown at the BAPCO refinery in Bahrain as well as shutdowns at ADGAS Das Island and the GASCO Ruwais refinery in Abu Dhabi.

We continue to provide maintenance support services at 69 sites (2010: 72) in the Gulf/Middle East and we saw little impact from the political and social unrest in the region earlier in the year as the majority of our clients' operations are at large, secure industrial facilities in remote, low populated areas, predominantly Qatar, UAE and Saudi Arabia. The region's maintenance backlog was assisted by the award of contract extensions with BAPCO and new awards with ADGAS in the UAE.

We continue to expect operating margins to reduce in H2 as the higher margin compression and acceleration works complete in Qatar and the project profile changes to lower margin start-up phases on major projects in the UAE. We did see some pressure in bid margins in H1, but that is abating as some players are exiting/cutting back due to operational reasons in the region.

Far East/Pacific Rim strategic wins

Tendering activity both onshore and offshore in the region increased in the first half including several work packages relating to Chevron's Gorgon LNG project in Australia and the Exxon PNG LNG project in Papua New Guinea. We would expect these to progress to contract award stage in the second half of 2011 with mobilisation in 2012.

The Far East/Pacific Rim region contributed 31% of Group revenue and 22% of the Group's adjusted EBITA. Adjusted EBITA increased by 24.3% at CER to £9.1 million driven mainly by the continued improvement in the margin performance with the operating margin increasing by 100bps to 8.7% (2010: 7.7%).

Revenue increased by 5.6% at CER to £104.4 million. Revenues from construction support services grew by 24.3% at CER to £66.3 million driven by the Pluto LNG and Singapore Parallel Train projects.

Maintenance and shutdown support revenues reduced by 15.0% at CER to £27.9 million largely reflecting the shutdown cycle on our offshore contracts at Bayu-Undan and Malampaya which

both underwent major shutdowns last year. Over two thirds of our maintenance revenues in the period were derived from the resources sector with clients including BHP and Alcoa.

As anticipated, our Access Solutions business, which is entirely focused on commercial and residential construction markets in Australia, has continued to be impacted by the difficult regional market conditions. Revenues fell by 3% on a headline basis to £10.3 million (2010: £10.6 million), on a CER basis revenues declined by 13.3%.

CIS, Mediterranean & North Africa strategic wins

We continue to provide services at Kashagan onshore and offshore projects and Odoptu/Chayeyo in Sakhalin, Russia. Construction support projects completing in the first half included the Karachaganak 4th Train Development with Petrofac and the Facilities Construction in Atyrau River Port.

Revenues increased by 38.8% at CER in H1 to £28.3 million representing 8% of Group revenue generating adjusted EBITA of £4.6 million.

Growth was driven by increased construction support activities at the Kashagan Island D offshore hook-up project in Kazakhstan and the commencement of works at the GL3-Z LNG project in Arzew, Algeria. The timing of the major work releases on the Arzew LNG project has been considerably slower than forecast with revenues in H1 less than one third of planned levels. We currently have no operations in Libya but continue to monitor the situation.

In Azerbaijan, our joint venture with SOCAR registered a small loss of £0.3 million (2010: £ nil) following the initial start up phase of the access contract for the West Chirag Platform topsides.

The only maintenance support services contract in the region continues to be at the Sakhalin II LNG Plant for Sakhalin Energy.

Safety is our priority

Cape delivered 25.7 million man hours in the first half of 2011 and our safety performance has again been outstanding with an LTI (Loss Time Injury) Frequency Rate of 0.038 per 100,000 man hours. I am pleased with the Group's progress with developing and extending its external accreditation to the international safety standard OSHA 18001. We employ over 400 full time safety personnel and our commitment to site safety continues to be the number one priority in our business and that of our clients.

Corporate growth strategy

Cape is well placed to deliver on our medium term growth plans through a mix of both organic growth and our bolt-on acquisition programme. We anticipate our organic growth will be driven by:

- our exposure to key growth markets (LNG/Gas in the Far East/Pacific Rim and downstream in the Gulf/Middle East) where demand for Cape's specialist construction support services is expected to grow significantly; and to a lesser extent by
- the increasing maintenance requirements of ageing infrastructure in mature markets and the increasing focus of plant operators on safety.

Cape's strength in the LNG sector

Cape has extensive experience in the LNG sector having supported the construction of 27 of the world's 47 operating LNG liquefaction plants as well as being involved in 4 of the 5 major LNG projects currently under construction. There are currently several projects either with, or close to obtaining, Final Investment Decision (FID) in the Far East/Pacific Rim Region.

Cape is one of the few specialists in the application of cryogenic insulation systems. To give an indication of the complexity of these systems, a single square metre of finished cryogenic insulation may involve up to ten man hours of work. A typical two train project will involve upwards of 150,000 sq. metres of insulation and 700,000 man hours.

To achieve a common safety standard and provide an economical access solution, it is now common on LNG projects to appoint a specialist access service provider delivering site-wide scaffolding services on a common user basis to all trades on-site. Cape pioneered this role. The volume of scaffold material required for LNG plants is considerable and, for a typical two train project, some 10,000 tonnes of scaffold equipment with a purchase cost of USD\$20 million-\$25 million may be required.

Acquisitions and entry into new territories

We have completed two bolt-on acquisitions so far this year. A specialist marine and offshore business in Australia and a refractory lining business based in the UK. We have enhanced our internal corporate planning and development capabilities to support our growth objectives and we expect to complete further acquisitions as and when businesses meet our criteria and valuation objectives.

We successfully established operational bases in three new territories in the first half. Our newly established operations in Papua New Guinea and India have already received contract awards and the Turkmenistan office is actively looking at revenue generating opportunities for 2012.

In Iraq, we continued to undertake small works at BP Rumaila with Worley Parsons/BP and will look to establish a permanent base in 2012.

Forward Order Book

In overall terms the Group's Forward Order Book at 30 June remained at similar levels to the start of the year at c.£850 million with some 91% of consensus revenues for 2011 already secured (2010: 90%).

As a provider of support services, Cape does not enter into the large lump-sum turnkey contracts typical of E&C contractors in the oil services sector or publish a backlog figure. The Group's Forward Order Book comprises:

- Maintenance Support Services:– The estimated value of our future services to support contractually committed base maintenance programmes for the contractual term period only. Typical contracts are three to five year agreements with extension options. It does not assume any value for optional extension periods not yet confirmed but does include a value for planned shutdowns/outages where a contractual commitment has been received; and
- Construction Support Services:– The value of services to be provided on current contracts based on client work schedules together with confirmed new orders received. Contracts are typically unit rate or defined scope packages reflecting clients needs to retain flexibility on large and complex projects.

However, given the scale and lead-time of future projects we have good visibility of future sources of revenue and hence currently have a very healthy pipeline of bidding opportunities in the Construction Support Services side of our business.

The Forward Order Book for maintenance support services reduced by 4% to £600 million and reflects the current profile of the term contract portfolio. Construction Support Services increased by 5% to £250 million with the Gulf/Middle East region growing by some 16% since the start of the year following the awards on the major downstream projects referred to above.

Outlook

These first half results position us well to achieve our full year targets and there is no change to full year guidance.

Full year preview

In the UK the number of planned outages in the power sector is expected to drive higher revenues in H2 and we continue to target a 10% operating margin in the UK. We also anticipate activity levels

to increase in the Gulf/Middle East in H2 with full year revenues expected to be similar to 2010. This will be dependent, however, on the timing of releases of work packages won on major projects and, as anticipated, we also expect the operating margin in the Gulf/Middle East to reflect the changing mix towards earlier stage project work. Activity levels in both the Far East/Pacific Rim Region and CIS/Med & North Africa Region in H2 are expected to continue at H1 levels with operating margins remaining stable.

Longer term

I am encouraged by the progress with major project investment decisions in our key geographies and all indications continue to suggest we are entering a sustained period of demand growth for Cape's services.



Martin K May
Chief Executive
31 August 2011

Chief Financial Officer's review

As expected the Group's first half results showed no overall revenue growth. Group revenues of £335 million were unchanged at CER with operating profits before head office costs down -1.8% at CER at £42.6 million (2010: £43.9 million).

The strong EBITA growth in the Far East/Pacific Rim Region (up 24.3% at CER) and CIS, Med & North Africa (up 42.4% at CER) was negated by the anticipated reduction in the Gulf/Middle East Region (down 14.6% at CER).

Regional operating margins remained within our target ranges although the reduced revenue contribution from the higher margin Gulf/Middle East Region had the effect of reducing the overall composite Group adjusted operating margin to 11.5% compared with the very strong 12.1% achieved last year.

The highlight from an adjusted operating margin perspective is the continued margin progression in the Far East/Pacific Rim Region towards Group norms with a margin of 8.7% being achieved in the period (2010: 7.7%).

Non-operating – other items

Non-operating other items after tax totalled £4.5 million (2010: £2.1 million). The total amount has been excluded from the adjusted profits and earnings to show the underlying performance of the business. Other items principally comprise corporate charges of £2.0 million incurred in relation to the move from AIM to the LSE's main market and the corporate restructuring together with Net Finance charges of £2.8 million comprising:

- a £2.0 million non-cash charge relating to the unwinding of the discount on the long term IDC liability following the booking of the provision in 2009. The policy to unwind the discount on the IDC liability was adopted during the second half of 2010; the results of the Interim 2010 have now been restated to reflect this policy;
- interest accrued on the IDC Scheme funds in the period of £0.5 million; and
- a £1.3 million charge representing the unamortised facility fees arising from the early cancellation of the Group's 2007 syndicated banking facility.

Finance charge

The finance charge (excluding other items) reduced to £4.3 million (2010: £4.7 million) with interest cover (calculated by dividing adjusted operating profit by the adjusted finance costs) increasing to 9.0 times (2010: 8.5 times) compared to the minimum of 3.0 times required by the covenant in Cape's new unsecured £220 million syndicated credit facility announced in January.

Taxation

The tax charge on profit before tax is equivalent to an average tax rate of 21.0% (2010: 23.0%) being the best estimate of the outcome for the full year in 2011. This is in line with the 21.0% achieved for the full year 2010.

Tax paid in the period reduced to £4.0 million (2010: £7.9 million). Whilst payments on account in relation to current year profits are broadly similar, the significant reduction in cash tax relates to amounts paid for prior year periods. In the UK and Far East/Pacific Rim regions cash payments for 2010 were reduced following the utilisation of agreed tax losses and in the Gulf/Middle East region the lower payments reflect a combination of reduced corporation tax rates in certain jurisdictions and a change in mix of source of profit generation.

Earnings per share

Adjusted diluted earnings per share were 20.9p (2010: 21.0p) and basic earnings per share were 17.9p (2010: 20.3p). The diluted weighted number of shares increased to 122.3 million in the first half of 2011 compared with 120.3 million in the first half of 2010.

Dividend

An interim dividend of 4.5p per share is declared. This dividend, which is 4.6 times covered by adjusted diluted earnings per share (2010: 5.3 times), will be paid on 7 October 2011 to shareholders on the register as at 9 September 2011.

Cash flow and net debt

The first half operating cashflow of £6.4 million (2010: £35.5 million) reflects the £37.0 million working capital outflow (2010: £14.1 million outflow). This higher build up of working capital has been driven by the increased level in UK outages, the

commencement of several large projects including GL3-Z LNG in Algeria and the ramp up on existing contracts including SPT and Kashagan. In addition, we increased capital expenditure to £11.0 million (2010: £3.8 million); together these investments will facilitate growth in H2 and beyond.

Other notable cash outflows include the reintroduced dividends to shareholders of £9.4 million (2010: £ nil) and Corporation Taxes of £4.0 million (2010: £7.9 million).

The Asset Replacement Ratio (calculated by dividing capex spend by the depreciation charge) of 128% (2010: 49.4%) reflects both the expected higher levels of investment in growth capex this year as well as the weighting of the spend to the first half.

The Group's adjusted net debt, reduced year on year by 20.7% to £75.5 million (2010: £95.1 million) including finance lease obligations of £6.8 million (2010: £11.8 million) with balance sheet gearing reducing to 19.5% (2010: 31.8%). The ratio of net debt to annualised adjusted EBITDA has fallen to 0.8 times (2010: 1.0 times).

Provision for estimated future asbestos related liabilities and IDC Scheme funds

The discounted post-tax provision held at 30 June 2011 increased to £61.5 million (2010: £59.6 million) reflecting the unwinding of the discount of £2.0 million in the period (restated 2010: £2.0 million) and the £0.6 million (2010: £0.9 million) of cash settlements made in the period.

The ring-fenced IDC Scheme funds reduced by £0.6 million to £31.0 million in the six months to 30 June 2011 (2010: £0.9 million reduction) comprising entirely of cash settlements paid to claimants. Accrued interest income of £0.5 million (2010: £0.5 million) is shown as finance income other items in the income statement.

Principal risks

Cape operates globally in the energy and natural resources sectors and in varied geographic markets. The principal risks and uncertainties that are or may be faced are disclosed in the 2010 Annual Report, and these are expected to continue to be relevant for the remaining six months of the year.

The risks set out on pages 26 and 27 of the 2010 Annual Report, include external, competitive and operational factors in addition to financial risks including foreign exchange risk.

Currencies in 2011

Nearly all operating costs are matched with corresponding revenues of the same currency. In the first half of 2011, some 28.2% of revenues were negotiated in US Dollar or US Dollar pegged currencies and 21.9% in Australian dollar. The average USD/GBP exchange rate weakened by 4.8% to USD 1.611 (2010: 1.538) whilst the average AUD/GBP exchange rate strengthened by 10.7% to AUD 1.544 (2010: AUD 1.729). The overall exchange impact on these results was negative, reducing profit before tax by £0.5 million (2010: benefit of £0.5 million).

The Group does not generally seek to manage its translation exposure from the conversion of non-UK subsidiaries profit and loss to GBP for accounts purposes although it does monitor and report the foreign exchange movements against forecasts provided. Analysis of the translation impact in converting profits into our reporting currency (GBP) shows that for each USD \$0.01 movement against GBP approximates to an increase or decrease in operating profit of £0.2 million and the impact of each AUD \$0.01 movement approximates to an increase or decrease in operating profit of £0.1 million. The majority of Cape's assets are held overseas and these are hedged in part by foreign currency denominated borrowing.

Shareholders' equity

Shareholders' equity at 30 June 2011 was £386.3 million (2010: £297.6 million). The reconciliation is set out in the Group statement of changes in equity and reflects the restructuring carried out in the first half with the introduction of the Jersey incorporated ultimate holding company on 17 June 2011.



Richard Bingham
Chief Financial Officer
31 August 2011

Statement of directors' responsibilities

The Interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The Disclosure and Transparency Rules ('DTR') require that the accounting policies and presentation applied to the half-yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the Interim report, unless the United Kingdom Financial Services Authority agrees otherwise.

The Directors confirm that this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of:

- the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements as required by DTR 4.2.7;
- the principal risks and uncertainties for the remaining six months of the year as required by DTR 4.2.7; and
- related party transactions that have taken place in the first six months of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the Group during the first six months of the current financial year as required by DTR 4.2.8.

The Directors of Cape plc are listed in the Cape plc Annual Report for the year ended 31 December 2010, and there have been no changes in the membership of the Board.

For and on behalf of the Board of Directors:



Richard Bingham
Chief Financial Officer
31 August 2011

Independent review report to Cape plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants
31 August 2011
Uxbridge

Notes:

- (a) The maintenance and integrity of the Cape plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement (unaudited)

for the half year ended 30 June 2011

	Half year ended 30 June 2011			Half year ended 30 June 2010 Restated ^(d)			Year ended 31 December 2010			
	Notes	Before other items £m	Other items £m	Total £m	Before other items £m	Other items £m	Total £m	Before other items £m	Other items £m	Total £m
Continuing operations										
Revenue		335.0	–	335.0	331.3	–	331.3	650.1	–	650.1
Operating profit before other items	4	38.5	–	38.5	40.1	–	40.1	78.2	–	78.2
Amortisation of intangible assets		–	(0.4)	(0.4)	–	(1.3)	(1.3)	–	(2.6)	(2.6)
Corporate expenses ^(a)		–	(2.0)	(2.0)	–	–	–	–	–	–
Industrial disease costs		–	(0.2)	(0.2)	–	–	–	–	(0.4)	(0.4)
Operating profit	4	38.5	(2.6)	35.9	40.1	(1.3)	38.8	78.2	(3.0)	75.2
Share of post tax losses from joint ventures		(0.3)	–	(0.3)	–	–	–	(0.1)	–	(0.1)
Total operating profit		38.2	(2.6)	35.6	40.1	(1.3)	38.8	78.1	(3.0)	75.1
Finance income ^(b)	6	0.1	0.5	0.6	0.1	0.5	0.6	0.1	1.0	1.1
Finance cost ^(c)	6	(4.3)	(3.3)	(7.6)	(4.7)	(2.0)	(6.7)	(9.1)	(4.0)	(13.1)
Profit before tax		34.0	(5.4)	28.6	35.5	(2.8)	32.7	69.1	(6.0)	63.1
Income tax (expense)/credit	7	(6.9)	0.9	(6.0)	(8.2)	0.7	(7.5)	(14.6)	3.8	(10.8)
Profit from continuing operations		27.1	(4.5)	22.6	27.3	(2.1)	25.2	54.5	(2.2)	52.3
Discontinued operations										
Profit from discontinued operations		–	–	–	0.4	–	0.4	0.3	–	0.3
Profit for the period		27.1	(4.5)	22.6	27.7	(2.1)	25.6	54.8	(2.2)	52.6
Attributable to:										
Owners of Cape plc				21.0			23.5			49.5
Non-controlling interest				1.6			2.1			3.1
				22.6			25.6			52.6

Earnings per share for profit attributable to the owners of Cape plc

From continuing and discontinued operations

Basic	8	21.6p	17.9p	21.7p		20.3p	44.2p		42.6p
Diluted	8	20.9p	17.2p	21.0p		19.6p	42.6p		41.0p

(a) Relates wholly to expenses incurred as a result of the return to the full list and corporate restructure.

(b) Includes £0.5 million (June 2010: £0.5 million) of Scheme interest as shown in note 6.

(c) Includes £2.0 million (Restated June 2010: £2.0 million) unwind of discount in respect of IDC provision and £1.3 million (June 2010: £ nil) unamortised facility fee as shown in note 6.

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

Consolidated statement of comprehensive income (unaudited)

for the half year ended 30 June 2011

	Half year Ended 30 June 2011 £m	Half year Ended 30 June 2010 Restated ^(d) £m	Year Ended 31 December 2010 £m
Profit for the period	22.6	25.6	52.6
Other comprehensive income			
Currency translation differences	2.2	6.5	50.7
Cash flow hedges – fair value gains/(losses)	0.9	(1.0)	0.3
Net investment hedges – fair value gains/(losses)	0.2	(1.2)	(0.6)
Deferred tax movements on hedging and share options	0.6	0.6	0.9
Actuarial gain/(loss) recognised in the pension scheme	2.5	(1.8)	1.7
Movement in restriction of retirement benefit asset in accordance with IAS 19	(3.0)	1.5	(2.5)
Other comprehensive income for the period, net of tax	3.4	4.6	50.5
Total comprehensive income	26.0	30.2	103.1
Attributable to:			
Owners of Cape plc	24.6	27.8	100.2
Non-controlling interest	1.4	2.4	2.9
	26.0	30.2	103.1

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

Consolidated balance sheet (unaudited)

at 30 June 2011

	Notes	30 June 2011 £m	30 June 2010 Restated ^(d) £m	31 December 2010 £m
Non-current assets				
Intangible assets		244.7	209.2	241.5
Property, plant and equipment	11	159.3	141.2	154.3
Investments accounted for using equity method		0.1	0.1	0.1
Deferred tax asset		43.7	36.9	43.2
		447.8	387.4	439.1
Current assets				
Inventories		10.9	10.1	8.8
Trade and other receivables		220.9	187.5	170.1
Cash – IDC ^(e) Scheme funds (restricted)		31.0	32.9	31.6
Cash and cash equivalents		61.6	73.8	95.8
		324.4	304.3	306.3
Liabilities				
Current liabilities				
Borrowings		(3.9)	(47.8)	(34.4)
Derivative financial instruments		(3.1)	(5.4)	(4.1)
Trade and other payables		(117.2)	(103.3)	(100.3)
Current income tax liabilities		(15.2)	(11.0)	(13.1)
		(139.4)	(167.5)	(151.9)
Net current assets		185.0	136.8	154.4
Non-current liabilities				
Borrowings		(133.2)	(121.1)	(114.3)
Retirement benefit liabilities		(7.2)	(6.4)	(6.6)
Deferred tax liabilities		(17.2)	(12.9)	(16.8)
IDC ^(e) provision		(83.1)	(81.2)	(81.7)
Other provisions		(5.8)	(5.0)	(5.3)
		(246.5)	(226.6)	(224.7)
Net assets		386.3	297.6	368.8
Equity attributable to owners of Cape plc				
Share capital	12	29.5	33.3	29.2
Share premium account		0.2	9.3	10.8
Special reserve		1.0	1.0	1.0
Other reserves ^(f)		10.6	(5.2)	(3.0)
Translation reserve		117.5	70.4	115.1
Retained earnings		223.5	184.8	211.1
Total equity attributable to owners of Cape plc		382.3	293.6	364.2
Non-controlling interest		4.0	4.0	4.6
Total equity		386.3	297.6	368.8

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

(e) IDC refers to the Industrial Disease Claims which are funded using the Scheme funds.

(f) Reclassification of share premium of old Cape due to changes in composition of the entity – refer to note 2.1 for details.

Consolidated statement of changes in equity (unaudited)

for the half year ended 30 June 2011

	Share Capital £m	Share premium account £m	Special Reserve* £m	Retained Earnings Restated ^(d) £m	Translation reserve £m	Other reserves** £m	Total £m	Non-controlling interest £m	Total £m
At 1 January 2010	33.3	9.2	1.0	160.6	64.2	(3.6)	264.7	3.0	267.7
Comprehensive income:									
Profit for the period	–	–	–	23.5	–	–	23.5	2.1	25.6
Other comprehensive income:									
Currency translation differences	–	–	–	–	6.2	–	6.2	0.3	6.5
Cash flow hedges – fair value loss in period	–	–	–	–	–	(1.0)	(1.0)	–	(1.0)
Net investment hedges – fair value loss in period	–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Deferred tax on hedges	–	–	–	–	–	0.6	0.6	–	0.6
Actuarial loss recognised in the pension scheme	–	–	–	(1.8)	–	–	(1.8)	–	(1.8)
Movement in restriction of retirement benefit asset in accordance with IAS 19	–	–	–	1.5	–	–	1.5	–	1.5
Total other comprehensive (expense)/income	–	–	–	(0.3)	6.2	(1.6)	4.3	0.3	4.6
Total comprehensive income/(expense) for the period ended 30 June 2010	–	–	–	23.2	6.2	(1.6)	27.8	2.4	30.2
Transactions with owners:									
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(1.4)	(1.4)
Share options									
– proceeds from shares issued	–	0.1	–	–	–	–	0.1	–	0.1
– value of employee services	–	–	–	1.0	–	–	1.0	–	1.0
	–	0.1	–	1.0	–	–	1.1	(1.4)	(0.3)
At 30 June 2010 (unaudited)	33.3	9.3	1.0	184.8	70.4	(5.2)	293.6	4.0	297.6

* The Special Reserve was created in 2007 by court order upon cancellation of the share premium and retained earnings. The Special Reserve is undistributable and restrictions exist over its use.

** Other reserves relates to hedging reserves held in respect of cashflow and net investment hedges.

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

Consolidated statement of changes in equity (unaudited)

for the year ended 31 December 2010

	Share Capital £m	Share premium account £m	Special Reserve* £m	Retained Earnings £m	Translation reserve £m	Other reserves** £m	Total £m	Non-controlling interest £m	Total £m
At 1 January 2010	33.3	9.2	1.0	160.6	64.2	(3.6)	264.7	3.0	267.7
Comprehensive income:									
Profit for the year	-	-	-	49.5	-	-	49.5	3.1	52.6
Other comprehensive income:									
Currency translation differences	-	-	-	-	50.9	-	50.9	(0.2)	50.7
Cash flow hedges – fair value gains in year	-	-	-	-	-	0.3	0.3	-	0.3
Net investment hedges – fair value losses in year	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Deferred tax on hedges/options	-	-	-	-	-	0.9	0.9	-	0.9
Actuarial gain recognised in the pension scheme	-	-	-	1.7	-	-	1.7	-	1.7
Movement in restriction of retirement benefit asset in accordance with IAS 19	-	-	-	(2.5)	-	-	(2.5)	-	(2.5)
Total other comprehensive (expense)/income	-	-	-	(0.8)	50.9	0.6	50.7	(0.2)	50.5
Total comprehensive income for the year ended 31 December 2010	-	-	-	48.7	50.9	0.6	100.2	2.9	103.1
Transactions with owners:									
Cancellation of deferred shares	(4.3)	-	-	4.3	-	-	-	-	-
Dividends	-	-	-	(4.7)	-	-	(4.7)	-	(4.7)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(1.3)	(1.3)
Share options									
- proceeds from shares issued	0.2	1.6	-	-	-	-	1.8	-	1.8
- value of employee services	-	-	-	2.2	-	-	2.2	-	2.2
	(4.1)	1.6	-	1.8	-	-	(0.7)	(1.3)	(2.0)
At 31 December 2010	29.2	10.8	1.0	211.1	115.1	(3.0)	364.2	4.6	368.8

* The Special Reserve was created in 2007 by court order upon cancellation of the share premium and retained earnings. The Special Reserve is undistributable and restrictions exist over its use.

** Other reserves relates to hedging reserves held in respect of cashflow and net investment hedges.

Consolidated statement of changes in equity (unaudited)

for the half year ended 30 June 2011

	Share Capital £m	Share premium account £m	Special Reserve* £m	Retained Earnings £m	Translation reserve £m	Other reserves** £m	Total £m	Non-controlling interest £m	Total £m
At 1 January 2011	29.2	10.8	1.0	211.1	115.1	(3.0)	364.2	4.6	368.8
Comprehensive income:									
Profit for the period	-	-	-	21.0	-	-	21.0	1.6	22.6
Other comprehensive income:									
Currency translation differences	-	-	-	-	2.4	-	2.4	(0.2)	2.2
Cash flow hedges – fair value gains in period	-	-	-	-	-	0.9	0.9	-	0.9
Net investment hedges – fair value losses in period	-	-	-	-	-	0.2	0.2	-	0.2
Deferred tax on hedges/options	-	-	-	-	-	0.6	0.6	-	0.6
Actuarial gain recognised in the pension scheme	-	-	-	2.5	-	-	2.5	-	2.5
Movement in restriction of retirement benefit asset in accordance with IAS 19	-	-	-	(3.0)	-	-	(3.0)	-	(3.0)
Total other comprehensive (expense)/income	-	-	-	(0.5)	2.4	1.7	3.6	(0.2)	3.4
Total comprehensive income for the period ended 30 June 2011	-	-	-	20.5	2.4	1.7	24.6	1.4	26.0
Transactions with owners:									
Dividends	-	-	-	(9.4)	-	-	(9.4)	-	(9.4)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(2.0)	(2.0)
Share options – proceeds from shares issued	0.3	1.3	-	-	-	-	1.6	-	1.6
– value of employee services	-	-	-	1.3	-	-	1.3	-	1.3
Reclassification on group reconstruction***	-	595.7	-	(607.6)	-	11.9	-	-	-
Capital reduction***	-	(607.6)	-	607.6	-	-	-	-	-
	0.3	(10.6)	-	(8.1)	-	11.9	(6.5)	(2.0)	(8.5)
At 30 June 2011 unaudited	29.5	0.2	1.0	223.5	117.5	10.6	382.3	4.0	386.3

* The Special Reserve was created in 2007 by court order upon cancellation of the share premium and retained earnings. The Special Reserve is undistributable and restrictions exist over its use.

** Other reserves relates to hedging reserves held in respect of cashflow and net investment hedges, and the difference arising on consolidation of the new parent undertaking (refer to note 2.1 for details).

*** Refer to note 2.1 for details of changes in composition of the entity.

Consolidated cash flow statement (unaudited)

for the half year ended 30 June 2011

	Notes	Half year Ended 30 June 2011 £m	Half year Ended 30 June 2010 Restated ^(d) £m	Year Ended 31 December 2010 £m
Cash flows from operating activities				
Cash generated from operating activities	14	6.4	35.5	98.5
Interest received		–	–	0.1
Interest paid		(2.7)	(4.3)	(8.3)
Tax paid		(4.0)	(7.9)	(11.5)
Net cash inflow from operating activities		(0.3)	23.3	78.8
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	11	0.4	0.2	0.3
Purchase of property, plant and equipment	11	(11.0)	(3.8)	(11.9)
Net cash used in investing activities		(10.6)	(3.6)	(11.6)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		1.6	0.1	1.8
Finance lease principal payments		(3.9)	(3.4)	(6.1)
Additional drawings on revolving facility		2.1	0.4	3.6
Dividends paid to Company shareholders		(9.4)	–	(4.7)
Repayment of borrowings	13	(10.0)	(10.0)	(34.3)
Dividend paid to non-controlling interest		(2.0)	(1.4)	(1.3)
Net cash used in financing activities		(21.6)	(14.3)	(41.0)
Exchange (losses)/gains on cash, cash equivalents and bank overdrafts		(1.7)	2.1	3.3
Net (decrease)/increase in cash and cash equivalents		(34.2)	7.5	29.5
Cash and cash equivalents at beginning of period		95.8	66.3	66.3
Cash and cash equivalents at end of period		61.6	73.8	95.8
Reconciliation of net cash flow to movement in adjusted net debt				
Net (decrease)/increase in cash and cash equivalents		(34.2)	7.5	29.5
Repayment of borrowing		10.0	10.0	34.3
Additional drawing on revolving facility		(2.1)	(0.4)	(3.6)
Movement in obligations under finance leases		3.6	2.9	5.5
Other movements in net debt		0.1	(1.5)	(5.0)
Movement in net debt during the period		(22.6)	18.5	60.7
Net debt (excluding IDC Scheme funds)^(e) – opening		(52.9)	(113.6)	(113.6)
Net debt (excluding IDC Scheme funds)^(e) – closing		(75.5)	(95.1)	(52.9)

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

(e) IDC refers to the Industrial Disease Claims which are funded using the Scheme cash.

Notes to the financial statements

1. General information

The financial information included in this interim financial report for the six months ended 30 June 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the Group's annual report and accounts for the year ended 31 December 2010, which were prepared under IFRS as adopted by the EU and expanded to make reference to IFRIC interpretations, have been delivered to the Registrar of Companies and include an auditors' report.

Copies of this interim report will be available from the offices of Cape plc, 47 Esplanade, St Helier, Jersey JE1 0BD and on the Company's website at www.capeplc.com, in addition to the paper version posted to shareholders. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This condensed consolidated interim financial information was approved for issue on 30 August 2011.

The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow have been reviewed by the auditors and their report is included in this document.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

The interim financial report has been prepared under the historical cost convention; as modified by the accounting for derivative financial instruments at fair value through profit or loss; and in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.1 Changes in composition of the entity

On 17 June 2011, pursuant to a Scheme of Arrangement under Part 26 of the Companies Act 2006, a new parent company was introduced which is now called Cape plc (the 'Company'). The previous parent company has been renamed as Cape Intermediate Holdings plc ('Old Cape').

Immediately after the Scheme of Arrangement became effective the Company had the same business and operations as Old Cape. The consolidated assets and liabilities of the Company immediately after the effective date of the Scheme of Arrangement are the same as the consolidated assets and liabilities of Old Cape immediately before.

The introduction of a new holding company constitutes a Group reconstruction and has been accounted for using merger accounting principles. As a result, the financial statements are shown as if the new Group had always been in existence. The statement of changes in equity shows that the net impact of the changes to the composition of the entity is that the share premium of old Cape on 17 June 2011 has been reclassified to other reserves. The details of movements in share capital are shown in note 12. The disclosures required by IAS 24 'Related party Transactions' of this transaction are also given in note 12.

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Singapore.

2. Basis of preparation continued

2.2 Going concern basis

After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

2.3 Accounting policies

The same accounting policies and methods of computation are followed in the interim financial statements as the latest published audited accounts, which are available on the Company's website at www.capeplc.com.

There is no financial impact on this condensed consolidated financial report of the new standards, amendments and interpretations that are in issue and mandatory for the financial year end to 31 December 2011:

- IAS 24 (revised) 'Related party disclosures' (effective 1 January 2011)
- Amendments IAS 32 Financial instruments: Presentation on classification of rights issues (effective 1 February 2010)
- Amendment to IFRS 1, First time adoption on financial instrument disclosures (effective 1 July 2010)
- Annual improvements 2010 (effective 1 January 2011)
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement' (effective January 2011)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)

The Group has decided not to early adopt any standards which are not yet effective, but available for early adoption.

2.4 Restatement of prior period 30 June 2010

The prior period to 30 June 2010 has been restated to reflect an unwind of discount charge of £2.0 million together with its tax impact for the first half of the year in respect of IDC provision. The unwind charge was recorded in the annual report for the year ended 31 December 2010 due to the accounting policy adoption in the second half of the year. The charge for the year ended 31 December 2010 was £4.0 million.

2.5 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

2. Basis of preparation continued

2.6 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's liabilities that are measured at fair value at 30 June 2011:

	Level 1	Level 2	Level 3
Liabilities			
Derivatives used for hedging	–	3.1	–
Total liabilities	–	3.1	–

The following table presents the Group's liabilities that are measured at fair value at 30 June 2010:

	Level 1	Level 2	Level 3
Liabilities			
Derivatives used for hedging	–	5.4	–
Total liabilities	–	5.4	–

The following table presents the Group's liabilities that are measured at fair value at 31 December 2010:

	Level 1	Level 2	Level 3
Liabilities			
Derivatives used for hedging	–	4.1	–
Total liabilities	–	4.1	–

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial liabilities.

2.7 Foreign exchange

The Group is exposed to foreign currency risk in two key currencies. The movements in exchange rates for these two currencies are detailed below:

	Half year ended 30 June 2011		Half year ended 30 June 2010		Year ended 31 December 2010	
	Closing	Average	Closing	Average	Closing	Average
AUD	1.4947	1.5443	1.7957	1.7291	1.5274	1.6901
USD	1.6046	1.6113	1.5189	1.5376	1.5657	1.5526

3. Segment information

Management has determined the operating segments based on the reports reviewed by the Group Board (Chief Operating Decision Maker) that are used to make strategic decisions. The Board considers the business from a geographic perspective. The profit measure used by the Chief Operating Decision Maker in its review is total operating profit.

Six months ended 30 June 2011 (unaudited)

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central costs £m	Group £m
Continuing operations:						
Revenue	136.2	66.1	28.3	104.4	–	335.0
Operating profit/(loss) before other items	12.8	16.1	4.6	9.1	(4.1)	38.5
Amortisation of intangible assets	(0.2)	–	–	(0.2)	–	(0.4)
Corporate expenses	–	–	–	–	(2.0)	(2.0)
Industrial disease costs	–	–	–	–	(0.2)	(0.2)
Operating profit/(loss)	12.6	16.1	4.6	8.9	(6.3)	35.9
Share of post tax losses of joint ventures	–	–	(0.3)	–	–	(0.3)
Total operating profit/(loss)	12.6	16.1	4.3	8.9	(6.3)	35.6
Finance income						0.6
Finance costs						(7.6)
Profit before tax						28.6
Taxation						(6.0)
Profit from continuing operations						22.6
Attributable to:						
Owners of Cape plc						21.0
Non-controlling interest						1.6
						22.6

There are no significant sales between segments.

3. Segment information *continued*

Six months ended 30 June 2010 restated

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central costs £m	Group £m
Continuing operations:						
Revenue	138.9	80.1	21.9	90.4	–	331.3
Operating profit/(loss) before other items	13.8	19.8	3.3	7.0	(3.8)	40.1
Amortisation of intangible assets	(0.2)	–	–	(1.1)	–	(1.3)
Operating profit/(loss)	13.6	19.8	3.3	5.9	(3.8)	38.8
Share of post tax profits of joint ventures	–	–	–	–	–	–
Total operating profit/(loss)	13.6	19.8	3.3	5.9	(3.8)	38.8
Finance income						0.6
Finance costs						(6.7)
Profit before tax						32.7
Taxation						(7.5)
Profit from continuing operations						25.2
Discontinued operations:						
Profit attributable to discontinued operations						0.4
						25.6
Attributable to:						
Owners of Cape plc						23.5
Non controlling interest						2.1
						25.6

There are no significant sales between segments.

3. Segment information *continued*

Year ended 31 December 2010

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central costs £m	Group £m
Continuing operations:						
Revenue	273.4	137.7	51.0	188.0	–	650.1
Operating profit/(loss) before other items	28.0	35.4	7.8	14.8	(7.8)	78.2
Amortisation of intangible assets	(0.3)	–	–	(2.3)	–	(2.6)
IDC costs	–	–	–	–	(0.4)	(0.4)
Operating profit/(loss)	27.7	35.4	7.8	12.5	(8.2)	75.2
Share of post tax loss of joint ventures	–	–	(0.1)	–	–	(0.1)
Total operating profit/(loss)	27.7	35.4	7.7	12.5	(8.2)	75.1
Finance income						1.1
Finance costs						(13.1)
Profit before tax						63.1
Taxation						(10.8)
Profit from continuing operations						52.3
Discontinued operations:						
Profit attributable to discontinued operations						0.3
						52.6
Attributable to:						
Owners of Cape plc						49.5
Non controlling interest						3.1
						52.6

There are no significant sales between segments.

Other segment items included in the income statement for the half-year ended 30 June 2011 are as follows:

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central Costs £m	Group £m
Depreciation	2.0	2.5	1.1	3.3	–	8.9
Amortisation	0.2	–	–	0.2	–	0.4

Other segment items included in the income statement for the half-year ended 30 June 2010 are as follows:

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central Costs £m	Group £m
Depreciation	2.0	2.5	1.0	3.2	–	8.7
Amortisation	0.2	–	–	1.1	–	1.3

3. Segment information *continued*

Other segment items included in the income statement for the year ended 31 Dec 2010 are as follows:

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central Costs £m	Group £m
Depreciation	3.8	5.1	2.0	6.5	–	17.4
Amortisation	0.3	–	–	2.3	–	2.6

The Group operates in the following geographic areas:

Revenue (based on location of the entity)

	Half year 30 June 2011	Half year 30 June 2010	Year ended 31 December 2010
Continuing operations:			
United Kingdom	136.2	138.9	273.4
Gulf/Middle East	66.1	80.1	137.7
CIS, Med & NA	28.3	21.9	51.0
– Australia	76.3	67.3	134.3
– Other Far East/Pacific Rim	28.1	23.1	53.7
Total Far East/Pacific Rim	104.4	90.4	188.0
Total	335.0	331.3	650.1

The segment assets at 30 June 2011 are as follows:

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central Costs £m	Unallocated £m	Group £m
Assets – continuing	99.3	83.9	32.3	328.5	120.9	105.3	770.2
Assets – discontinued	2.0	–	–	–	–	–	2.0
Total assets	101.3	83.9	32.3	328.5	120.9	105.3	772.2

The segment assets at 30 June 2010 are as follows:

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central Costs £m	Unallocated £m	Group £m
Assets – continuing	83.2	90.9	23.6	321.9	59.3	110.7	689.6
Assets – discontinued	2.1	–	–	–	–	–	2.1
Total assets	85.3	90.9	23.6	321.9	59.3	110.7	691.7

Segment assets consist primarily of property, plant and equipment, investments, intangible assets, inventories and trade and other receivables. Unallocated assets comprise deferred taxation and cash.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings including related hedging transactions.

3. Segment information *continued*

The segment assets at 31 December 2010 are as follows:

	United Kingdom £m	Gulf/Middle East £m	CIS, Med & NA £m	Far East/ Pacific Rim £m	Central Costs £m	Unallocated £m	Group £m
Assets – continuing	78.2	129.8	33.4	317.0	46.0	139.0	743.4
Assets – discontinued	2.0	–	–	–	–	–	2.0
Total assets	80.2	129.8	33.4	317.0	46.0	139.0	745.4

Segment assets are reconciled to the Group assets as follows:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Segment assets	666.9	581.0	606.4
Unallocated:			
– Cash	61.6	73.8	95.8
– Deferred tax	43.7	36.9	43.2
Total assets	772.2	691.7	745.4

4. Operating profit

	Half year ended 30 June 2011 £m	Half year ended 30 June 2010 £m	Year ended 31 December 2010 £m
Analysis of operating profit			
Continuing operations			
Revenue	335.0	331.3	650.1
Cost of sales	(271.2)	(268.7)	(528.2)
Gross profit	63.8	62.6	121.9
Operating expenses	(25.3)	(22.5)	(43.7)
Operating profit before other items	38.5	40.1	78.2
Corporate expenses	(2.0)	–	–
Amortisation of intangibles	(0.4)	(1.3)	(2.6)
Industrial disease related expenses	(0.2)	–	(0.4)
Operating profit	35.9	38.8	75.2

Cost of sales consists principally of direct labour, materials and other direct costs.

Administration costs consist principally of operating, corporate expenses, amortisation of intangibles and industrial disease related expenses.

5. Adjusted measures

The Company seeks to present a measure of underlying performance which is not impacted by exceptional items or items considered non-operational in nature. These measures are described as 'adjusted' and are used by management to measure and monitor performance. The following items have been excluded from the adjusted measures:

- industrial disease related costs, income and restricted cash
- amortisation of intangible assets acquired in a business combination
- exceptional items

	Half year ended 30 June 2011 £m	Half year ended 30 June 2010 Restated ^(d) £m	Year ended 31 December 2010 £m
Profit before tax	28.6	32.7	63.1
IDC costs	0.2	–	0.4
IDC interest income	(0.5)	(0.5)	(1.0)
IDC unwind of provision	2.0	2.0	4.0
Unamortised facility fee	1.3	–	–
Corporate expenses	2.0	–	–
Amortisation of intangibles	0.4	1.3	2.6
Adjusted profit before tax	34.0	35.5	69.1
Total operating profit	35.6	38.8	75.1
Amortisation of intangibles	0.4	1.3	2.6
Corporate expenses	2.0	–	–
IDC costs	0.2	–	0.4
Share of post tax losses from joint ventures	0.3	–	0.1
Adjusted operating profit	38.5	40.1	78.2
Adjusted operating profit margin	11.5%	12.1%	12.0%
Net debt	(44.5)	(62.2)	(21.3)
Restricted cash	(31.0)	(32.9)	(31.6)
Adjusted net debt	(75.5)	(95.1)	(52.9)
Finance cost	(7.6)	(6.7)	(13.1)
IDC unwind of provision	2.0	2.0	4.0
Unamortised facility fee	1.3	–	–
Adjusted finance cost	(4.3)	(4.7)	(9.1)

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

6. Finance income and costs

	Half year ended 30 June 2011 £m	Half year ended 30 June 2010 Restated ^(d) £m	Year ended 31 December 2010 £m
Interest income:			
– Short-term bank deposits	0.1	0.1	0.1
– Interest on Scheme funds	0.5	0.5	1.0
Finance income	0.6	0.6	1.1
Interest expense:			
– Bank borrowings	(3.9)	(4.1)	(8.1)
– Finance leases	(0.4)	(0.6)	(1.0)
– IDC unwind of provision	(2.0)	(2.0)	(4.0)
– Unamortised facility fee	(1.3)	–	–
Finance costs	(7.6)	(6.7)	(13.1)
Net finance costs	(7.0)	(6.1)	(12.0)

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

7. Income tax

The taxation charge for the six months ended 30 June 2011 is calculated by applying the estimated annual Group effective rate of tax to the profit for the period.

The estimated underlying tax rate for the year to 31 December 2011 for continuing operations is 21.0% and has been used for the six months ended 30 June 2011 (six months ended 30 June 2010: 23.0%). The income tax expense for the period decreased by £1.5 million to £6.0 million. The reduced effective rate of 21.0% is mainly due to a change in the mix of source of profit generation and the reduction in the UK tax rate.

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. Legislation was passed in the Finance (No 2) Act 2010 to reduce the main rate of UK corporation tax to 27% as from 1 April 2011. However, in the March 2011 Budget Statement an additional announcement was made advising that the main rate of corporation tax will be reduced from 28% to 26% from 1 April 2011. This change was substantively enacted on 29 March 2011 through the Provisional Collection of Taxes Act 1968 and was passed through the Finance Act 2011 receiving Royal Assent on 19 July 2011. The deferred tax balances have therefore been calculated at 26% where applicable.

Further reductions to the main rate are proposed to reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date, and have therefore not been included in the financial statements.

8. Earnings per ordinary share

The basic earnings per share calculation for the 6 month period ended 30 June 2011 is based on the profit attributable to equity shareholders of £21.0 million (June 2010: £23.5 million) divided by the weighted average number of 25p ordinary shares of 117,360,049 (June 2010: 116,038,891).

The diluted earnings per share calculation for the 6 month period ended 30 June 2011 is based on the profit after tax of £21.0 million (June 2010: £23.5 million) divided by the diluted weighted average number of 25p ordinary shares of 122,342,187 (June 2010: 120,289,289).

Share options and awards are considered potentially dilutive as the average share price during the year was above the average exercise prices.

	Half year 30 June 2011 Shares	Half year 30 June 2010 Shares	Year ended 31 December 2010 Shares
Basic weighted average number of shares	117,360,049	116,038,891	116,268,784
Adjustments:			
Weighted average number of outstanding share options	4,982,138	4,250,398	4,550,546
Diluted weighted average number of shares	122,342,187	120,289,289	120,819,330

	Half year ended 30 June 2011		Half year ended 30 June 2010 Restated ^(d)		Year ended 31 December 2010	
	Earnings £m	EPS pence	Earnings £m	EPS pence	Earnings £m	EPS pence
Basic earnings per share						
Continuing operations	21.0	17.9	23.1	19.9	49.2	42.3
Discontinued operations	–	–	0.4	0.4	0.3	0.3
Basic earnings per share	21.0	17.9	23.5	20.3	49.5	42.6
Diluted earnings per share						
Continuing operations	21.0	17.2	23.1	19.2	49.2	40.7
Discontinued operations	–	–	0.4	0.4	0.3	0.3
Diluted earnings per share	21.0	17.2	23.5	19.6	49.5	41.0

Adjusted basic earnings per share

Earnings from continuing operations	21.0	17.9	23.1	19.9	49.2	42.3
Amortisation of intangibles	0.4	0.3	1.3	1.1	2.6	2.3
IDC related costs and interest income	1.7	1.4	1.5	1.3	3.4	2.9
Non-recurring costs	3.3	2.8	–	–	–	–
Tax effect of adjusting items	(0.9)	(0.8)	(0.7)	(0.6)	(3.8)	(3.3)
Adjusted earnings per share	25.5	21.6	25.2	21.7	51.4	44.2

Adjusted diluted earnings per share

Earnings from continuing operations	21.0	17.2	23.1	19.2	49.2	40.7
Amortisation of intangibles	0.4	0.3	1.3	1.1	2.6	2.2
IDC related costs and interest income	1.7	1.4	1.5	1.3	3.4	2.8
Non-recurring costs	3.3	2.7	–	–	–	–
Tax effect of adjusting items	(0.9)	(0.7)	(0.7)	(0.6)	(3.8)	(3.1)
Diluted adjusted earnings per share	25.5	20.9	25.2	21.0	51.4	42.6

(d) The prior interim period has been restated by £2.0 million to reflect unwind of discount in respect of IDC provision. Refer to note 2.4 for details.

8. Earnings per ordinary share continued

The adjusted earnings per share calculations have been calculated after excluding the impact of amortisation of intangibles, non-recurring costs (comprising corporate expenses of £2.0 million and unamortised facility fee of £1.3 million), IDC related costs, interest income and the tax impact of these items.

Options are dilutive at the profit from continuing operations level and so, in accordance with IAS 33, have been treated as dilutive for the purpose of diluted earnings per share.

9. Interim dividend

An interim dividend of 4.5p per Ordinary share (June 2010: 4p) was approved by the Board on 30 August 2011 (June 2010: 7 September 2010). The dividend will be paid on 7 October 2011 (June 2010: 8 October 2010) to all shareholders on the register at the record date of 9 September 2011 (June 2010: 17 September 2010).

10. Business acquisition

As disclosed on 14 April 2011, Cape plc acquired the trade and assets of Shoreguard Pty Ltd (Australia) for an initial consideration of AU\$0.5 million and assumed liabilities to the value of AU\$0.6 million. There will be a deferred consideration obligation which will be calculated based on the estimated EBITA performance of the business over the next four years.

11. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired assets with a cost of £11.4 million (June 2010: £4.3 million) and received proceeds from asset sales (assets with a carrying amount of £0.4 million (June 2010: £0.3 million)) of £0.4 million (June 2010: £0.2 million) giving net capital expenditure of £11.0 million (June 2010: £4.1 million). The capital expenditure of £11.0 million (June 2010: £3.8 million) shown in the cash flow statement represents the actual cash outflow and therefore excludes purchases funded through finance leases.

Capital expenditure contracted for at the balance sheet date but not yet incurred:

	Half year ended 30 June 2011 £m	Half year ended 30 June 2010 £m	Year ended 31 December 2010 £m
Property, plant and equipment	1.0	0.4	1.6

These commitments are expected to be settled in the following financial year.

12. Share capital

	30 June 2011 Number	30 June 2011 £m	30 June 2010 Number	30 June 2010 £m	31 December 2010 Number	31 December 2010 £m
Issued and fully paid						
Ordinary shares of 25p each						
At 1 January Old Cape	116,944,996	29.2	116,029,082	29.0	116,029,082	29.0
Exercise of share options	1,044,744	0.3	28,700	–	915,914	0.2
At 17 June 2011	117,989,740	29.5	–	–	–	–
Cancellation of Old Cape shares	(117,989,740)	(29.5)	–	–	–	–
Issue of shares in New Cape	117,989,740	29.5	–	–	–	–
Exercise of share options	85,000	–	–	–	–	–
At 30 June/31 December	118,074,740	29.5	116,057,782	29.0	116,944,996	29.2
Deferred shares of 1p each						
At 1 January Old Cape	–	–	431,906,031	4.3	431,906,031	4.3
Purchased for cancellation	–	–	–	–	(431,906,031)	(4.3)
At 30 June/31 December	–	–	431,906,031	4.3	–	–
plc Scheme share						
At 1 January Old Cape	1	–	1	–	1	–
At 17 June 2011	1	–	–	–	–	–
Consolidation of Old Cape scheme share	(1)	–	–	–	–	–
Issue of scheme share in New Cape	1	–	–	–	–	–
At 30 June/31 December		29.5		33.3		29.2

On 17 June 2011, pursuant to a Scheme of Arrangement under Part 26 of the Companies Act 2006, a New Jersey incorporated parent company of the Group was introduced called Cape plc (the 'Company'). The previous UK incorporated parent company, formerly known as Cape plc, has been renamed as Cape Intermediate Holdings plc ('Old Cape'). On the Scheme Record Date of 17 June 2011, all the issued ordinary shares of 25p each in Old Cape were cancelled in consideration for the issue of the same number of new ordinary shares in Old Cape to the Company, and one ordinary share of 25p each in the Company was allotted to shareholders for each ordinary share held by them in Old Cape.

Deferred shares

The holders held no dividend rights, redemption entitlement or voting rights. On a winding up the holders were entitled to repayment of capital only after ordinary shareholders had received £100 for each ordinary share. Following approval by shareholders on 20 May 2010, the deferred shares were purchased for an aggregate consideration of £1 and cancelled on 20 August 2010.

12. Share capital continued

plc Scheme Share

The plc Scheme Share is held by the Law Debenture Trust Corporation plc on behalf of the Scheme creditors.

The rights attaching to the share are designed to ensure that Scheme assets are only used to settle Scheme claims and ancillary costs and do not confer any right to receive a distribution or return of surplus capital save that the holder will have the right to require the Company to redeem the share at par value on or at any time after the termination of the Scheme.

The share carries two votes for every vote which the holders of the other classes of shares in issue are entitled to exercise on any resolution proposed during the life of the Scheme to engage in certain activities specified in the Company's Articles of Association.

The Company will not be permitted to engage in certain activities specified in the Company's Articles of Association without the prior consent of the holder of the share.

13. Repayment of borrowings

The repayment of borrowings of £10.0 million represents a scheduled repayment under the Group's old committed facility, which fell due every March and September. In January 2011 the Group signed a new unsecured £220 million syndicated credit facility which was first utilised in May 2011; no scheduled repayments are required under this new facility.

14. Cash flow from operating activities

	Half year ended 30 June 2011 £m	Half year ended 30 June 2010 £m	Year ended 31 December 2010 £m
Cash flows from operating activities			
Continuing operations			
Operating profit for the period	35.9	38.8	75.2
Depreciation	8.9	8.7	17.4
Amortisation of intangibles	0.4	1.3	2.6
Share option charge	1.3	1.0	2.2
Difference between pension charge and cash contributions	(0.5)	(0.3)	(0.7)
Loss on sale of property, plant and equipment	–	0.1	0.1
Share of loss of joint ventures	(0.3)	–	(0.1)
(Increase)/decrease in inventories	(2.1)	7.8	3.9
(Increase)/decrease in receivables	(48.8)	(26.2)	0.2
Increase/(decrease) in payables	13.9	4.3	(2.3)
Bank refinancing fee	(3.1)	–	–
Increase/(decrease) in provisions	0.6	(0.9)	(0.4)
Industrial disease costs paid	0.2	0.9	0.4
Cash generated from continuing operations	6.4	35.5	98.5
Discontinued operations			
Profit for the period	–	0.4	0.4
Decrease in provisions	–	(0.4)	(0.4)
Cash outflow from discontinued operations	–	–	–
Cash generated from operating activities	6.4	35.5	98.5

15. Contingent liabilities

The Group discloses contingent liabilities in relation to guarantees and bonds in the annual report and accounts. Details of these contingent liabilities can be found in the annual report and accounts for the year ended 31 December 2010 in note 33.

16. Events after the balance sheet date

As announced on 1 August 2011, Cape acquired York Linings Holdings Limited, and its subsidiaries, a refractory linings design and installation contractor from its owner-managers, for an initial cash consideration of £4.0 million.

York Linings is a market leader in the design and installation of refractory linings to large industrial assets both in the United Kingdom and internationally in the Gulf/Middle East and CIS regions. Employing around 90 people, across six countries and with revenues in excess of £15 million.



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